2/6/87 C0175-1

American Banker

The Daily Financial Services Newsp

VOL. CLII NO. 25 Thursday, February 5, 1987

15538900015 3/15/05 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

TODAY

THE SECURITIES INDUSTRY Association will ask the New York State Banking Board to retract an interpretation that broadens the securities powers of state-chartered banks. The securities group's chairman said the state Banking Department's interpretive letter was "ill-considered and should be withdrawn"..... 2

A DEFUNCT PROPOSAL by Federal Home Loan Bank Board member Lee Henkel would have benefited only three savings and loans — including a former client of Mr. Henkel, according to a memo a Senate panel released to the press this week..... 2

BA ASIA LTD., Bank of America's merchant bank in the Far East, had a record year in 1986, due in part to the freedom the San Francisco-based banking giant gives to its Asian operations to develop their own software products. This is the second of two articles..... 2

BANK OF AMERICA'S Singapore branch chief is not necessarily a superstitious man, but he is not averse to using *fengshui*, or Chinese sorcery, if it will bring the branch back into the black..... 2

DEAN WITTER FINANCIAL Services Group, a subsidiary of Sears, Roebuck and Co., posted a fourth-quarter loss of $4.2 million primarily due to charges related to the introduction of Discover, its combined financial services/credit card..... 3

THE RELATIONSHIP BETWEEN the basic business strategy and the operations and systems strategies must be defined so that they pull together. If they don't, says Arthur F. Ryan, strategic objectives may not be achieved..... 4

BANKERS AND OTHER LENDERS from around the nation say that competitive pressures have forced them to trim costs in booking home equity lines of credit. Some lenders admitted that in their push to close the revolving second-mortgage loans as cheaply as possible, they are stressing quantity over quality in appraisals of property used as collateral..... 16

Executive Changes..... 9

Flashbacks..... 4

In the News..... 3

Quote

Common sense tells us that bank securities affiliates the size of our nation's largest securities firms cannot be stuffed into the framework of the Glass-Steagall Act. I think everyone in this room who has the faintest inkling of what Glass-Steagall was designed to accomplish knows that, despite legal soothsaying to the contrary, no rational understanding of the purposes of the act can conceivably point to a different conclusion.

David Silver, president of the Investment Company Institute, during hearings to discuss Federal Reserve action on banks' applications for securities powers. [Page 1]

Unquote

SPECIAL REPORT

Some Banks Turn More Cautious In Issuing Standby Credit Letters

By LISABETH WEINER
Midwest Bureau

CHICAGO — Standby letters of credit remain a strong source of earnings for many banks. But with increasing pressure on pricing and the likely imposition of risk-based capital guidelines, U.S. bankers say their presence in that market is dwindling.

While most banks have continued to increase the amount of their outstanding standbys, the rate of that increase has declined markedly.

According to a survey by the *American Banker,* the 10 largest U.S. banks had an 11% growth in outstanding standbys from Dec. 31, 1984, through June 30, 1986. Growth among the top 20 banks in this credit enhancement product was 12.7%; among the top 50 banks it was 13.64%. And for the top 79 banks, the total amount of standbys grew by nearly 15% to $145.5 billion.

Standby Letters of Credit: Top Five Bank Issuers

Outstanding as of June 30, 1986
(In Billion of Dollars)

1. Citibank NA	$21.7
2. Chase Manhattan Bank NA	12.8
3. Bank of America NT&SA	12.0
4. Morgan Guaranty Trust Co.	11.4
5. Bankers Trust Co., New York	10.5

But in recent years, it was not unusual for standby letters of credit to soar by more than 20% in a year at the top money center banks, and by 25% at the

Standby Letters: Page 12

Bank Industry Is United in Bid to Fed For Increased Underwriting Powers

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — The banking industry was united to an unusual extent this week as representatives of banks, large and small, pressed the Federal Reserve Board to approve applications permitting bank affiliates to underwrite four new types of security.

News Analysis

The underwriting authority being considered by the Fed would apply to commercial paper, municipal revenue bonds, mortgage-backed securities, and consumer-related receivables.

But at least one large banking company warned that the restrictions on underwriting volume that the Fed appears to be considering would create a two-tiered system in which a few large eastern bank holding companies would dominate.

The big New York banking companies whose applications are under consideration — Citicorp, Bankers Trust New York Corp., and J.P. Morgan & Co. — all objected to the 5% limit the Fed appears to favor and asked for ceilings ranging up to 15% instead.

However, Security Pacific Corp., Los Angeles, argued that even a 15%

Underwriting: Page 15

FOR INFORMATION ON EDC
1-800-CALL-NDC

PLEASE VISIT US AT THE FLORIDA BANKERS ASSOCIATION FEBRUARY 11-13

Why do First National Bank of Atlanta, Bank of Virginia and Valley National Bank use NDC's Electronic Data Capture System?

They are among 200 financial institutions who know they can rely on National Data Corporation for dependable service, dedicated support and state-of-the-art technology. It's been that way for almost two decades.

NDC: The Leader in Electronic Data Capture.

National Data Corporation
National Data Plaza
Atlanta, Georgia 30329

NDC

FSLIC Plan Tied to Ease By Regulators

Legislator Preparing Bill To Avoid S&L Closings

By ROBERT M. GARSSON
and JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Rep. Steve Bartlett, R-Tex., said Wednesday he is set to introduce legislation that would link the proposed recapitalization of the thrift insurance fund to requirements that industry regulators go easy on insolvent thrifts.

The bill would not require regulators to keep open savings and loans that are mismanaged or the victims of management fraud, said Mr. Bartlett, a member of the House Banking Committee.

But it would require that the Federal Savings and Loan Insurance Corp. to give bankrupt or nearly bankrupt thrifts in economically depressed regions time to work out their problems.

Mr. Bartlett's action capped a week in which Texas lawmakers intervened with the House Banking Committee to insure that the FSLIC would not be able to use the proposed cash infusion to begin liquidating thrifts in that state. With the downturn in energy, agricultural, and office real estate markets, Texas institutions have been particularly hard pressed.

Last Thursday House Speaker James Wright, D-Tex., met with House Banking Committee Chairman Fernand J. St Germain and other committee members to discuss their concerns about the FSLIC recapitalization.

Following the meeting, a Tuesday morning vote on the FSLIC measure scheduled in a House Banking subcommittee was postponed. Instead, committee Democrats caucused and agreed to hold another round of hearings that would focus on the forbearance proposal. It is unclear when votes on the issue will be held.

The decision by the banking committee leadership to postpone committee and subcommittee votes also gives the U.S. League of Savings Institutions more time to muster support for its overall plan for aiding the FSLIC, a plan that differs from a Treasury proposal supported by the Federal Home Loan Bank Board and considered the front-runner to date.

The Treasury proposed that $3 billion in capital from the the Federal Home Loan Bank System be leveraged to provide $15 billion immediately to the FSLIC. The U.S. League has countered with a proposal that would give the FSLIC $5 billion a year in new money for each of the next two years. The U.S. League's plan also included forbearance requirements. The Treasury contends that the U.S. League proposal is inadequate.

Mr. Bartlett's bill could prove to be the key to moving an FSLIC recapitalization measure through the House. He said in an interview that it was drafted in consultation with Mr. Wright's office, as well as with the U.S. League, the Bank Board, and the Treasury Department. He also said it will be cosponsored by both Democrats and

FSLIC: Page 6

US Banks' Share in Standby Credit Letter Market Is Dwindling

Continued from Page 1

top 100 banks.

Some banks have apparently become more cautious issuers of standby letters of credit, sometimes spurning such business except in cases of customer relationships.

Standby letters of credit, in effect, make the issuing bank the lender of last resort. The bank rents its credit rating to the customer for a fee, in turn guaranteeing that a customer will perform as expected. If the customer defaults on the obligation backed by the standby, the bank may be asked to cover the debt.

Standbys traditionally have fit into the category of contingent liabilities, with few reporting requirements from federal regulators. Most standbys simply add fee income without adding assets to the bank's balance sheet. That enhances return on assets without requiring the use of capital — a costly and scarce resource. And only a small percentage of standbys have resulted in losses.

Rethinking Strategies

Some changes are in the offing, however, and in anticipation, banks are rethinking their strategies on standby letters of credit.

Perhaps the biggest change is the Federal Reserve's intention to impose risk-based capital requirements for most off-balance-sheet items, including standby letters of credit. These standards have emerged amid growing concern that in the recent explosion in off-balance-sheet lending activities, banks have not been setting aside adequate reserves to cover potential losses.

"If the regulators impose capital requirements on standby letters of credit, at the time this takes place we'll have to reconsider the pricing on those instruments," said Robert A. Rosholt, vice president and manager of corporate finance of the asset liability committee of First National Bank of Chicago.

But Mr. Rosholt said if domestic banks are forced to increase their pricing on these corporate finance tools, it will be more difficult to compete with most other foreign banks, which are not subject to the same primary capital requirements. Only the United Kingdom and the United States have agreed on uniform risk-based capital standards. In the past, Mr. Rosholt said, aggressive competition from the Japanese has kept pricing on standbys at razor-thin margins.

Most recently, Mr. Rosholt said, foreign banks have continued to underprice standbys, but domestic banks have raised their prices in an effort to make sure they are paid adequately for the credit risk.

"Either U.S. banks have stopped marketing the standbys, or they have raised the fees.," he said. "Some banks feel a very binding commitment on a standby. They recognize they have risk exposure."

Most bankers strongly believe they must be paid for this credit exposure. But at current market levels, fees that often run at six basis points, 12 basis points, or even 25 basis points do not adequately cover the risk on a standby.

Low Standby/Capital Ratios

Bankers are also saying this pricing will not be sufficient to cover the cost of capital that is soon likely to be required to back standbys. In anticipation of risk-based capital guidelines, many banks have been diligent about keeping their ratio of standbys to primary capital at a specific level.

The *American Banker* survey found that several banks reduced their standby outstandings and increased their primary capital levels in order to reduce the standby/capital ratio. During the survey period, for instance, Manufacturers Hanover Trust Co. cut its outstandings by 15%, raised its primary capital level by about 14%, and its ratio declined to 2.45% from 3.34%. At Chemical Bank, helped by a 14% decline in outstandings and a 30% increase in primary capital, the ratio fell to 2.2% from 3.38%.

The average standby/primary capital ratio among the money center banks was appoximately 2.3% at the end of 1986, according to the survey. So a bank such as Chase Manhattan, which had a 56% increase in its outstandings, still has a ratio of about 2.25%, slightly under the average.

First National of Chicago, which lowered its standby/capital ratio to 1.92% from 2.5% over the survey period, sees a need for more efficient use of capital in the face of possible regulatory changes.

"We felt on all the things we needed to support with our capital the mix previously was not right," Mr. Rosholt said.

Lower fees, however, are not the only reason Japanese banks have been successful at securing standby letters of credit. Equally important is that most U.S. money center banks do not enjoy the AAA ratings common to Japanese banks.

"We just don't provide much value to a AA-rated manufacturing company," Mr. Rosholt admitted. First National Bank of Chicago's long-term debt is rated A-plus by Standard & Poor's Corp.

Some bankers and industry observers believe that if nothing else changes, U.S. banks may find themselves withdrawing from the standby market altogether.

Many of the banks surveyed by the *American Banker* said that standbys are for the most part now done by banks in customer relationships, rather than as an independently marketed corporate finance tool.

"Our standby-letters-of-credit business follows our corporate book of business relationships," an executive from one superregional bank said. But disadvantages that may result from risk-based capital guidelines "may take domestic banks out of the letter-of-credit market," the executive said.

Pricing 'Ludicrous'

With current aggressive competition, pricing is all over the board. "We can bid on a standby and be off by a margin of 100 basis points. It's ludicrous," the executive said. "The Japanese will frequently quote 20 to 25 basis points and we're looking for 1%. And other money center banks may be quoting 2%."

Sometimes, of course, money center banks quote very high rates to discourage business. And if a customer is willing to pay 2% for a standby letter of credit, a healthy profit can result. Overall, industry sources said, standby letters of credit require relatively little paperwork and are still considered a profitable business.

Meanwhile, there is concern that the Fed's risk-based capital guidelines do not take into consideration the varying degrees of standby credit risk. "If the regulators are going to be really consistent, then they should look at each standby the way they look at each loan," the executive at the superregional said. "Some are satisfactory, some are substandard, some are losses. It's the same with standbys."

Japanese banks, meanwhile, challenge the perception that they enjoy success with standby letters of credit simply because they can "buy it" by undercutting the domestic banks. They say they have succeeded in the business because they can offer things U.S. banks cannot.

A large part of the standby business booked by Japanese banks is backing debt instruments, such as industrial revenue bonds for municipalities and government agencies. While some domestic banks shun this business because it doesn't result in long-standing customer relationships, the Japanese eagerly pursue it.

"We Japanese banks think municipal risk is a very good risk. By expanding this business, we have a good relationship with municipalities," said Hideyuki Saka, vice president of Fuji Bank, New York branch.

And Fuji sees potential for more customer banking activity, Mr. Saka said.

"Now the municipalities are looking for possibilities to raise funds in Tokyo and Europe," he said. "We have a keen interest in helping them do that. We see future possibilities to work with them."

Mr. Saka said the Japanese banks also are interested in providing American cities and townships with the financial assistance they need.

"We have a keen interest to help in the fundamental support in the U.S.," he said. "We are happy to know that Japanese banks are helping America's infrastructure."

He acknowledged that Japanese banks aggressively seek standby business and are very competitive on pricing. But, he said, "we look aggressive compared only with banks in the U.S."

Contingent Liabilities

Japanese banks, unlike U.S. banks, are eager to put more contingent liabilities on their books, Mr. Saka said. Many U.S. banks, he said, have "lost interest" in backing letters of credit because the banks already have too many contingent liabilities. At the end of 1986, Fuji Bank, New York branch, had outstanding standbys of $2.5 billion, Mr. Saka said.

Perhaps most important, however, is that Japanese banks are not subjected to the same primary capital requirements as U.S. domestic banks. But in the next two or three years, Mr. Saka said, he expects Japan will join the U.K.-U.S. agreement on common capital standards.

Despite the wide variance in price that may be quoted by a U.S. bank and a Japanese bank for the same product, Mr. Saka said Japanese banks are concerned about risk exposure and are being adequately compensated for the credit risk they are assuming.

"The Japanese are very conservative and always are very concerned about credit exposure," he said.

Meanwhile, Mr. Saka said, with fewer industrial revenue bonds being issued because of recent changes under the new tax law, the demand for standby letters of credit will also decline.

"Our opportunity to provide standby letters of credit is reduced. This is a very serious problem," Mr. Saka said, "and it will be difficult to find good transactions."

With less business, competition for standby business is likely to become more intense — and perhaps too stiff for U.S. banks.

"I think this is a good business," one executive said. "We would miss it. It's one more piece of business that is part of a relationship." ■

Henkel . . .

Continued from Page 2

ments, and Stanford Savings and Loan of California, with $26 million. The memo was obtained and released to the press by the Senate Banking, Housing, and Urban Affairs Committee.

"It's another example of the Bank Board giving out half the facts," responded Mr. Henkel, who still faces a Senate confirmation hearing.

Mr. Henkel said Bank Board data show that 186 institutions might have problems with the current grandfathering clause, which he says is vague.

The Bank Board is in the process of deciding whether the 1985 direct investment rule should be extended for two more years or eased.

Mr. Henkel was a partner in an Atlanta law firm that did legal work for Lincoln Savings. He was supervising attorney for the client, according to a financial disclosure form.

The same form shows that Mr. Henkel personally borrowed over $250,000 from Lincoln in 1985 but paid it off before the Oct. 9, 1986, filing of the financial disclosure. Published reports claim real estate companies in which Mr. Henkel had interests borrowed more than $61 million from Lincoln.

"My proposal dealt with the grandfathering of real estate projects. Lincoln's argument with the Bank Board concerns a service corporation. In no way did I intend to help Lincoln," Mr. Henkel said. ■

Bank Call Notice

REPORT OF CONDITION OF

Consolidated domestic subsidiaries of the

Bessemer Trust Company, National Association

of New York

In the state of New York, at the close of business on December 31, 1986, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter number 16417 Comptroller of the Currency Second District.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$14,326
Interest-bearing balances	763
Securities	11,059
Loans and lease financing receivables:	
Loans and leases, net of unearned income 10,710	
Loans and leases, net of unearned income, allowance, and reserve	10,710
Premises and fixed assets	2,041
Other assets	4,849
TOTAL ASSETS	$43,748
LIABILITIES	
Deposits:	
In domestic offices	$37,361
Noninterest-bearing 24,953	
Interest-bearing 12,408	
Other liabilities	2,343
TOTAL LIABILITIES	39,704
EQUITY CAPITAL	
Common stock	800
Surplus	1,200
Undivided profits and capital reserves	2,044
TOTAL EQUITY CAPITAL	4,044
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL	$43,748

I, Frank Lopez, Senior Vice President & Comptroller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

FRANK LOPEZ
January 30, 1987

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

R. DANIEL SAXE
HOWARD PHIPPS, JR.
OGDEN MILLS PHIPPS | Directors

LEGAL ADVERTISING

Partnership Notices

Certificate Pursuant to Section 130 of the General Business Law, STATE OF NEW YORK,) SS: COUNTY OF NEW YORK). WHEREAS, the undersigned have this day formed a new partnership under the name of Nico & Co., with its principal place of business at 55 Water Street, New York City, New York; We, the undersigned, do hereby certify and declare that the persons intending to deal as partners under such partnership name Nico & Co. at 55 Water Street, New York City, New York, with their respective places of residence are as follows: James Canale, 27 Winnie Lane, Brentwood, NY 11717; Wilfredo Cuevas, 1138 E. 51st Street, Brooklyn, NY 11234; Robert Hendley, 2736 Bath Avenue, Brooklyn, NY 11214; Angelina Madera, 10-02 Rive Road, Fairlawn, NJ 07410; Kenneth Peters, 1251 37th Street, Brooklyn, NY 11218; Louis Raysor, 1049 Lincoln Place, Brooklyn, NY; Victor Scioscia, RD1, Box 172, Ridge Road, Dover Plains, NY 12522; Barbara Strohmeier, 3 Kubala Avenue, Carteret, NY 07008; Paul V. Vera, 559 54th Street, Brooklyn, NY; Leonard S. Wronski, 35 Lake Avenue, Colonia, NJ 07067; George Ziemer, 8 Sandhill Road, Byram Township, NJ 07874. And we do further certify that the undersigned are the successors in interest to the partners and partnership that have heretofore used the name aforesaid in the conducting of business at 55 Water Street, New York City, New York.

Standby Letters of Credit at Nation's Top Banks

Listed in Order of Standby Letters of Credit Outstanding on June 30, 1986 for Banks with $5 Billion or More in Assets

(Dollar Amounts in Thousands)

Compiled by American Banker Copyright 1986

Rank 6/86		Standby Letters of Credit 6/30/86	12/31/84	% Chg.	Primary Capital 6/30/86	12/31/84	SLC/Primary Capital 6/30/86	12/31/84	Total Assets 6/30/86	12/31/84
1	Citibank NA, New York	21,704,000	19,904,000	9.04	8,243,000	6,906,000	2.63	2.88	142,477,000	120,054,001
2	Chase Manhattan Bank NA, New York	12,774,496	8,195,027	55.88	5,673,124	5,292,374	2.25	1.55	80,123,170	80,399,541
3	Bank of America NT&SA, San Francisco	11,992,000	10,934,000	9.68	6,411,000	6,131,000	1.87	1.78	105,234,001	104,084,001
4	Morgan Guaranty Trust Co., New York	11,384,488	8,535,928	33.37	5,003,963	3,936,735	2.28	2.17	67,856,409	63,540,749
5	Bankers Trust Co., New York	10,503,316	9,011,092	16.56	3,278,883	2,683,275	3.20	3.36	52,565,385	44,142,280
6	Manufacturers Hanover Trust Co., New York	10,115,239	11,913,576	-15.09	4,128,251	3,564,021	2.45	3.34	62,168,657	63,018,380
7	Chemical Bank, New York	8,658,041	10,079,031	-14.10	3,933,751	2,978,461	2.20	3.38	57,069,890	51,232,080
8	Security Pacific National Bank, Los Angeles	6,052,289	4,647,448	30.23	2,771,596	2,307,321	2.18	2.01	44,296,568	40,149,543
9	First National Bank, Chicago	4,515,885	4,724,671	-4.42	2,346,567	1,892,442	1.92	2.50	33,974,330	35,041,579
10	Wells Fargo Bank NA, San Francisco	3,352,619	3,199,177	4.80	3,095,276	2,976,099	1.08	1.07	38,410,722	46,025,925
11	Mellon Bank NA, Pittsburgh	3,284,995	2,156,556	52.33	1,668,968	1,433,781	1.97	1.50	26,099,130	24,597,584
12	Continental Illinois National Bank & Trust Co., Chicago	3,202,187	4,426,242	-27.65	2,496,075	2,250,909	1.28	1.97	28,710,844	30,063,705
13	Irving Trust Co., New York	2,885,482	1,612,903	78.90	1,304,678	1,041,151	2.21	1.55	19,471,741	17,200,807
14	Marine Midland Bank NA, Buffalo, N.Y.	2,722,917	2,400,036	13.45	1,399,630	1,374,286	1.95	1.75	20,539,046	21,677,969
15	First National Bank, Boston	2,193,773	2,030,603	8.04	1,422,749	1,248,166	1.54	1.63	22,377,176	20,194,733
16	First Interstate Bank of California, Los Angeles	1,963,942	1,939,301	1.27	1,392,660	1,145,421	1.41	1.69	20,897,702	20,041,590
17	Texas Commerce Bank NA, Houston	1,892,365	1,697,155	11.50	796,341	656,887	2.38	2.58	10,793,299	12,142,159
18	First National Bank, Minneapolis	1,666,903	950,019	75.46	702,721	423,818	2.37	2.24	9,981,519	8,318,041
19	National Westminster Bank USA, New York	1,537,165	833,267	84.47	688,977	582,059	2.23	1.43	10,428,803	8,749,413
20	RepublicBank Dallas NA	1,363,611	1,048,535	30.05	978,237	814,728	1.39	1.29	15,433,095	14,378,377
21	Bank of New York	1,342,254	1,159,417	15.77	1,086,550	810,180	1.24	1.43	18,414,746	14,714,330
22	Pittsburgh National Bank	1,047,768	1,046,589	0.11	796,351	571,274	1.32	1.83	12,457,487	9,116,191
23	MBank Dallas NA	980,140	812,554	20.62	441,987	391,391	2.22	2.08	7,135,441	6,330,716
24	National Bank of Detroit	865,091	620,595	39.40	975,664	871,364	0.89	0.71	13,010,940	11,867,461
25	Interfirst Bank Dallas NA	854,947	713,672	19.80	642,499	571,488	1.33	1.25	8,631,402	10,652,188
26	Union Bank, Los Angeles	724,145	583,459	24.11	599,082	531,970	1.21	1.10	8,575,067	8,307,556
27	European American Bank, New York	716,634	894,785	-19.91	497,236	489,303	1.44	1.83	6,151,148	7,460,817
28	Comerica Bank - Detroit	637,044	341,196	86.71	459,926	382,609	1.39	0.89	6,760,707	7,175,235
29	Norwest Bank Minneapolis NA	617,916	542,927	13.81	371,955	350,892	1.66	1.55	5,938,316	5,965,067
30	First City National Bank, Houston	606,036	735,537	-17.61	438,146	603,212	1.38	1.22	6,232,422	9,495,920
31	NCNB National Bank of North Carolina, Charlotte	575,098	284,007	102.49	739,782	570,117	0.78	0.50	13,520,062	10,296,422
32	Sovran Bank NA, Richmond	553,460	340,345	62.62	645,585	532,585	0.86	0.64	10,153,229	8,193,037
33	National City Bank, Cleveland	541,659	268,923	101.42	377,477	313,606	1.43	0.86	5,257,499	5,076,095
34	Seattle-First National Bank	532,096	358,430	48.45	690,715	672,668	0.77	0.53	9,661,215	8,783,142
35	Connecticut National Bank, Hartford	516,906	342,403	50.96	458,349	365,419	1.13	0.94	7,190,882	6,053,504
36	Rainier National Bank, Seattle	511,128	377,083	35.55	496,840	427,758	1.03	0.88	7,698,870	7,422,994
37	Harris Trust & Savings Bank, Chicago	503,727	500,632	0.62	551,331	455,079	0.91	1.10	8,170,046	7,767,647
38	Provident National Bank, Philadelphia	476,277	185,947	156.14	360,532	271,497	1.32	0.68	5,397,733	4,795,086
39	Philadelphia National Bank	431,992	299,690	44.15	510,123	447,924	0.85	0.67	8,598,317	7,169,777
40	Manufacturers National Bank, Detroit	423,501	274,444	54.31	398,545	315,476	1.06	0.87	6,219,782	5,536,551
41	First National Bank, St. Paul, Minn.	413,551	652,212	-36.59	415,159	269,778	1.00	2.42	5,701,425	5,555,929
42	Valley National Bank, Phoenix, Ariz.	406,410	241,690	68.15	624,710	513,689	0.65	0.47	10,063,523	8,532,058
43	Northern Trust Co., Chicago	394,241	385,379	2.30	423,674	376,007	0.93	1.02	6,935,552	6,628,028
44	Bank of Tokyo Trust Co., New York	380,461	223,931	69.90	358,527	308,563	1.06	0.73	5,777,418	5,084,727
45	Trust Company Bank, Atlanta	375,343	109,324	243.33	364,933	285,530	1.03	0.38	5,277,008	3,902,850
46	First Fidelity Bank NA, Newark, N.J.	355,593	259,695	36.93	546,109	459,639	0.65	0.56	8,527,293	7,161,788
47	Bank of New England NA, Boston	337,172	265,879	26.81	520,191	366,252	0.65	0.73	7,723,208	6,019,257
48	Mellon Bank (East) NA, Philadelphia	333,986	240,035	39.14	336,143	313,371	0.99	0.77	5,103,652	4,156,709
49	Fidelity Bank NA, Malvern, Pa.	324,874	372,547	-12.80	380,132	337,091	0.85	1.11	6,804,483	5,904,728
50	United Virginia Bank, Richmond	316,038	285,774	10.59	540,418	422,835	0.58	0.68	7,170,580	5,847,503
51	Maryland National Bank, Baltimore	312,870	153,746	103.50	515,065	326,122	0.61	0.47	7,246,689	6,296,791
52	Southeast Bank NA, Miami	300,579	175,041	71.72	721,038	589,155	0.42	0.30	10,406,946	9,554,414
53	AmeriTrust Co NA, Cleveland	267,195	156,725	70.49	616,541	504,927	0.43	0.31	7,293,118	6,617,758
54	Huntington National Bank, Columbus, Ohio	263,930	133,132	98.25	436,483	378,599	0.60	0.35	6,609,547	5,511,072
55	Shawmut Bank of Boston NA	262,756	212,011	23.94	287,657	190,073	0.91	1.12	5,058,277	3,478,466
56	Republic National Bank, New York	259,271	79,064	227.93	1,623,022	1,329,873	0.16	0.06	16,246,325	11,760,048
57	Fleet National Bank, Providence, R.I.	250,822	178,532	40.49	410,658	285,523	0.61	0.63	5,810,858	4,654,794
58	California First Bank, San Francisco	249,358	247,850	0.61	351,026	303,214	0.71	0.82	5,423,113	5,002,166
59	Citizens & Southern National Bank, Atlanta	239,210	135,361	76.72	648,057	469,297	0.37	0.29	10,041,261	7,988,373
60	Riggs National Bank, Washington, D.C.	212,456	115,695	83.63	361,792	260,234	0.59	0.44	5,304,829	5,117,262
61	Connecticut Bank & Trust Co. NA, Hartford	209,437	156,378	33.93	469,907	356,130	0.45	0.44	7,748,638	6,756,355
62	AmSouth Bank Birmingham NA, Ala.	203,380	128,791	57.91	445,070	414,836	0.46	0.31	5,237,380	5,212,052
63	First Union National Bank, Charlotte, N.C.	161,177	115,345	39.73	853,284	584,580	0.19	0.20	13,324,348	9,920,490
64	United States National Bank, Portland, Ore.	156,069	84,660	84.35	513,245	428,940	0.30	0.20	7,412,393	6,607,101
65	First National Bank, Atlanta	152,649	60,500	152.31	478,704	403,743	0.32	0.15	6,826,920	6,616,962
66	First Pennsylvania Bank NA, Philadelphia	133,245	104,072	28.03	399,167	392,162	0.33	0.27	5,700,432	5,361,388
67	Meridian Bank, Reading, Pa.	130,877	106,592	22.78	442,839	373,997	0.30	0.29	6,044,676	5,517,243
68	State Street Bank & Trust Co., Boston	128,212	110,551	15.98	356,700	257,779	0.36	0.43	6,828,163	4,677,359
69	Bank of Virginia, Richmond	126,574	68,529	84.70	341,561	259,595	0.37	0.26	5,502,950	4,234,835
70	Society National Bank, Cleveland	121,696	102,061	19.24	354,400	346,884	0.34	0.29	5,129,603	5,224,842
71	Florida National Bank, Jacksonville	93,050	86,361	7.75	470,359	357,090	0.20	0.24	6,316,365	5,300,777
72	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	92,890	94,389	-1.59	742,230	601,788	0.13	0.16	10,156,668	8,592,319
73	First Interstate Bank of Oregon NA, Portland	91,370	85,098	7.37	414,123	380,823	0.22	0.22	5,433,242	5,557,657
74	First Tenn Bank NA, Memphis	83,048	56,005	48.29	363,239	328,578	0.23	0.17	5,220,443	4,647,538
75	First Union National Bank of Florida, Jacksonville	68,793	41,885	64.24	391,445	324,834	0.18	0.13	6,296,574	5,299,765
76	NCNB National Bank of Florida, Tampa	66,820	65,454	2.09	438,271	391,811	0.15	0.17	6,303,042	5,085,503
77	First Interstate Bank of Arizona NA, Phoenix	33,745	30,324	11.28	466,791	396,392	0.07	0.08	6,204,576	5,703,645
78	Boston Safe Deposit & Trust Co.	10,040	1,745	475.36	345,231	115,512	0.03	0.02	5,851,598	1,993,706
79	Citibank (South Dakota) NA, Sioux Falls	1,195	6,149	-80.57	1,095,798	671,857	.00	0.01	8,504,136	6,619,234
	TOTALS FOR THE TOP 50 BANKS	140,861,201	123,957,668	13.64	73,785,118	63,237,501	1.91	1.96	1,113,167,940	1,046,025,770
	TOTALS FOR ALL 79 BANKS	145,543,915	127,049,714	14.56	89,138,821	75,261,849	1.63	1.69	1,322,651,050	1,220,935,685

A letter of credit is a document issued by a bank on behalf of its customer (the account party) authorizing a third party (the beneficiary), or in some cases the account party, to draw drafts on the bank up to a stipulated amount with specified terms and conditions. The letter of credit is a conditional commitment on the part of the bank to provide payment on drafts drawn in accordance with the terms of the document. There are four types of letters of credit: (1) commercial letters of credit; (2) letters of credit sold for cash; (3) travelers' letters of credit; and (4) standby letters of credit. **A standby letter of credit** represents an obligation on the part of the issuing bank to a designated third party (the beneficiary) contingent upon the failure of the issuing bank's customer (the account party) to perform under the terms of the underlying contract with the beneficiary, or obligates the bank to guarantee or stand as surety for the benefit of a third party to the extent permitted by law or regulation. **The source of the data is the federal regulatory** Report of Condition, Schedule RC-L—Commitments and Contingencies, items 6.a.(1) and item 6.a.(2), which are the sum of standby letters of credit and foreign office guarantees to U.S. customers plus non-U.S. customers. The amounts outstanding and unused as of the report date are reported. Also included are all legally binding commitments to issue standby letters of credit. According to the instructions to the Report of Condition, originating banks must report the full amount outstanding and unused of standby letters of credit in which participations have been conveyed to others where: (1) the originating and issuing bank is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (2) the participating banks have an obligation to partially or wholly reimburse the originating bank, either directly in cash or through a participation in a loan to the account party. For syndicated standby letters of credit where each bank has a direct obligation to the benefeciary, each bank must report only its share of the syndication. Similarly, if several banks participate in the issuance of a standby letter of credit under a "bona fide" binding agreement, each bank shall report only its proportional share of the total standby letter of credit. For a standby letter of credit that is, in turn, backed by a standby letter of credit issued by another bank, each bank must report the entire amount of the standby letter of credit it has issued and not just the unbacked portion. **Primary capital** is sum of equity capital; the allowance for loan and lease losses; mandatory convertible debt; and the minority interest in equity accounts of consolidated subsidiaries. (Note: the definition of primary capital differs slightly from the definition used by American Banker in its ranking of the top 100 banks in primary capital published on Oct. 8. For some banks, the 6/30/86 primary capital figure shown here may differ from the figure reported on Oct. 8. But the differences do not affect significantly the ratios of standby letters of credit to primary capital— **SLC/Primary Capital**— reported above.) Data were provided by **ADP Data Services Division, New York.** ADP adjusts its data base for mergers.